

Order 96-12-30  
Served: December 30, 1996

**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 23rd day of December, 1996

Essential Air Service at:

CORDOVA, GUSTAVUS, PETERSBURG,  
WRANGELL, AND YAKUTAT, ALASKA

under 49 U.S.C. 4173 *let seq.*

**Docket OST-96-2035  
(43145)**

**ORDER TENTATIVELY RESELECTING CARRIER**

**SUMMARY**

By this order we are tentatively reselecting Alaska Airlines, Inc., to provide subsidized essential air service at Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, (southeast) Alaska, for the two-year period October 1, 1996, through September 30, 1998, at an annual rate of \$1,242,560.

**BACKGROUND**

Order 95-3-33 selected Alaska Airlines to provide subsidized essential air service to Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, Alaska, with Boeing 737 jets at a combined annual subsidy rate of \$1,390,966, for the two-year period through September 30, 1996. The proposed rate reflects the same level of service as was selected previously and, indeed, the same as Alaska Airlines has provided for a number of years.

Under our normal procedures when nearing the end of a rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited [Alaska Airlines](#) to submit a proposal for continuation of essential air service at the five southeast Alaska communities.

#### **CARRIER SERVICE PROPOSAL**

In response to our inquiry Alaska Airlines indicated its desire to continue to serve the five southeast Alaska communities and submitted and negotiated a renewal proposal for an additional two-year rate term. (See Appendix B to this order for a summary of the subsidy computation for Alaska Airlines.) The carrier proposes to provide service as follows: Cordova, one daily nonstop round trip to Anchorage and one one-stop round trip to Juneau; Yakutat, one daily one-stop round trip to Anchorage and one nonstop round trip to Juneau. Gustavus, Petersburg, and Wrangell are to receive different peak and off-peak service. During the two peak periods, (13 weeks each) June 8-September 6, 1997, and June 7-September 5, 1998, the communities' service will be as follows: Petersburg, one daily round trip to both Juneau (nonstop) and Ketchikan (one-stop); Wrangell, one daily round trip to both Ketchikan (nonstop) and Juneau (one-stop); Gustavus, one daily nonstop round trip to Juneau. During the off-peak portions of the two-year period, the required service may be adjusted as follows: Petersburg's service to Juneau may be one-stop in one direction, Wrangell's service to Juneau may be two-stop in one direction, and at Gustavus, Alaska Airlines ensures that in the unlikely event no other carrier provides the service, it will secure service consisting of a minimum of two round trips a week with small aircraft. Based on informal rate discussions held between the carrier and the Department staff, an annual subsidy rate of \$1,242,560 has been agreed upon for each year of the new rate term.

#### **TENTATIVE RESELECTION**

We will tentatively reselect Alaska Airlines to provide essential air service at the five southeast Alaska communities as detailed in Appendix C, for an additional two-year period through September 30, 1998, for an annual subsidy of \$1,242,560. Alaska Airlines has provided reliable service at the communities, and the rate appears reasonable for the level of service provided. Traffic has exceeded earlier projections, especially at Petersburg and Wrangell, and the carrier's costs have decreased from the preceding period.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed.

Essential air service for Cordova, Petersburg, Wrangell, and Yakutat, requires seven round trips per week with large aircraft having 60 seats or more. Essential air service for Gustavus requires that level of service only during the peak season, and only two round trips per week with small aircraft (up to 10 seats) during the rest of the year. The designated essential air service hubs for the five points are as follows:

<u>Eligible Points</u>	<u>Designated Hubs</u>
Cordova	Anchorage
Gustavus	Juneau
Petersburg	Juneau or Ketchikan
Wrangell	Juneau or Ketchikan
Yakutat	Juneau or Anchorage

As a general matter, we request proposals that would meet the essential air service requirements of the communities. We will entertain proposals contemplating alternative service with smaller aircraft, especially if they would reduce required levels of subsidy and receive some community support.

#### **OBJECTIONS OR PROPOSALS**

As usual, we will allow interested parties 20 days to object to our decision and/or to file competing proposals. If no timely objections or competing proposals are filed this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections.

#### **SERVICE HISTORY AND TRAFFIC DATA**

Alaska Airlines has served these communities for a number of years. Appendix D shows monthly traffic data for each point for the year ended June 30, 1996.

#### **PROCEDURES FOR FILING PROPOSALS**

For interested air carriers that are not familiar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) (formerly section 419 of the Federal Aviation Act) and discusses in detail the process of seeking proposals, conducting financial and operational audits of the applicant carriers and selecting a replacement carrier. The second is an evidence request containing an explanatory statement and a copy of section 14 CFR 204.4 of the Department's regulations which deals with the information required of all applicants for authority to provide basic essential air service, and provides schedules giving our recommended form for submitting data required for determining the financial and operational ability of applicants to provide dependable air service.

#### **COMMUNITY AND STATE COMMENTS**

If we receive competing proposals the communities and State are welcome to submit comments on the proposals at any time.<sup>2</sup> Early in the proceeding, comments on the perceived strengths and weaknesses of the proposals would be particularly helpful to the Department, although the civic parties may also express a preference for a particular carrier or proposal option at that time, if they choose. In any event, after we conclude rate conferences with all applicants, we would provide a summary of the conference results to the civic parties and ask them to file their final comments.<sup>3</sup>

#### **OTHER CARRIER REQUIREMENTS**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>4</sup> Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed

---

<sup>1</sup> Copies of these documents can be obtained from: EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Telephone requests for these documents are accepted at (202) 366-1053.

<sup>2</sup> Civic parties should file an original and five copies of their comments in Docket 43145. Comments should be addressed to: Documentary Services Division, Docket Section, 611C121.30, Office of the Secretary, U.S. Department of Transportation, Room PL 401, 400 Seventh Street, S.W., Washington D.C. 20590.

<sup>3</sup> In cases where a carrier proposes to provide full essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

<sup>4</sup> The regulations applicable to each of these areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, Implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants) implementing the Drug-Free Workplace Act of 1988; (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs for the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the basis for Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

\$100,000 over the life of the rate term must also certify that they are in compliance with regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

**CARRIER FITNESS**

49 U.S.C. 41738 requires that we find a carrier fit, willing, and able to provide service before we pay it compensation for essential air service. In that regard, Alaska Airlines has operated successfully for a number of years. Alaska Airlines remains subject to the Department's continuing fitness monitoring. Since no information has come to our attention that would lead us to question the fitness of Alaska Airlines we conclude that the carrier remains fit to conduct the operations proposed here.

This order is issued under authority delegated in 49 CFR 1.56(i).

**ACCORDINGLY,**

1. The Department tentatively reselects Alaska Airlines, Inc., to provide essential air service at Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, Alaska, for the two-year period from October 1, 1996, through September 30, 1998;
2. The Department tentatively sets the final rate of compensation for Alaska Airlines, Inc., for the provision of essential air service at Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, Alaska, for the two-year period from October 1, 1996, through September 30, 1998, at \$1,242,560 per year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month by \$214.564;
3. In the event objections or competing proposals are received, the rate in ordering paragraph (2) above will be effective as a final rate from October 1, 1996, until further Department action;
4. If the Government completely terminates all payments for service at Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, Alaska, because of the insufficiency of appropriated funds, then, at the end of the period for which the Government does make payments, the carrier may cease to provide service to the communities without regard to any requirement for notice of such cessation. Only total cessation of payments due to insufficient appropriated funds shall trigger this provision; adjustments in the level of subsidy payments do not constitute a total cessation of payment. Essential air service subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department of Transportation regulations, as they may be amended from time to time;
5. We find that Alaska Airlines, Inc., continues to be fit, willing, and able to operate as a certificated air carrier and is capable of providing reliable air service at Cordova, Gustavus, Petersburg, Wrangell, and Yakutat, Alaska;
6. We direct Alaska Airlines, Inc., to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order; and

---

<sup>5</sup> See Appendix C for calculations.

7. The Department will serve copies of this order on the appropriate civic officials, the Governor of Alaska, the Alaska Department of Transportation and Public Facilities, Alaska Airlines, and the carriers listed in Appendix E.

By:

**Charles A. Hunnicutt**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

**Alaska Airlines, Inc., Essential Air Service to be Provided to Cordova and Yakutat, Alaska, Docket 43145**

Effective Period October 1, 1996, through September 30, 1998

Scheduled Service

Cordova: 7 nonstop round trips per week to Anchorage and 7 one-stop (Yakutat) round trips per week to Juneau;

Yakutat: 7 nonstop round trips per week to Juneau and 7 one-stop (Cordova) round trips per week to Anchorage;

Aircraft: Boeing 737 or larger.

Rate per Departure/Arrival to/from

Juneau and Anchorage

Weekly Compensation Ceiling<sup>1</sup>

Cordova, \$214.64<sup>2</sup>

\$6,009.92<sup>3</sup>

Yakutat, \$214.64<sup>2</sup>

\$6,009.92<sup>3</sup>

Note: the carrier has been placed on notice that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of this order, including the service plan outlined above and any other significant elements of the required service, without prior approval. In addition, if for a significant period of time the carrier either does not schedule or operate its flights in full conformance with this order, the carrier may jeopardize its entire subsidy claim for the period in question. If any such changes are contemplated during the applicable period of this rate, the carrier must first notify the Office of Aviation Analysis in writing and receive approval from the Department of Transportation to be assured of full compensation. Carriers must complete all flights that can be safely operated. An aircraft taking-off and landing at its scheduled destination constitutes a completed flight. Only completed flights are considered eligible for subsidy absent an explanation for not completing the flight (such as certain weather cancellations). Flights which overfly subsidized points for lack of traffic will not be compensated.

---

<sup>1</sup> Calendar weeks that fall into separate calendar months will be treated as part of the later month for the purpose of calculating both calendar weeks per month and the monthly compensation.

<sup>2</sup> \$1,242,560 annual compensation, divided by 5,789 annual departures from and arrival at the eligible points and their hubs, calculated as follows:

52 weeks x 4 communities (Cordova, Petersburg, Wrangell, & Yakutat) x 28 depts/arrivals per community x .964 = 5,614

13 weeks x 1 community (Gustavus) x 14 depts/arrivals per community x .964 = 175

Total Departures/Arrivals = 5,789

\$1,242,560 divided by 5,789 depts. = \$214.64/dep./arrival.

<sup>3</sup> 28 departures/arrivals per week between each point and Juneau/Anchorage x \$214.64.

**Alaska Airlines, Inc., Essential Air Service to be Provided to Gustavus, Petersburg and Wrangell,  
Alaska, Docket 43145**

Effective Period October 1, 1996, through September 30, 1998

Scheduled Service, Peak Period, June 8-September 6, 1997, & June 7-September 5, 1998

Petersburg: 7 nonstop round trips per week to Juneau and 7 one-stop (Wrangell) round trips per week to Ketchikan.

Wrangell: 7 nonstop round trips per week to Ketchikan and 7 one-stop (Petersburg) round trips per week to Juneau.

Gustavus: 7 nonstop round trips per week to Juneau.

Scheduled Service, Off-Peak Period, Remainder of the rate period

Petersburg: 7 one-stop (Sitka) round trips per week to Juneau and 7 one-stop (Wrangell) round trips per week to Ketchikan.

Wrangell: 7 nonstop round trips per week to Ketchikan and 7 two-stop (Petersburg & Sitka) round trips per week to Juneau.

Gustavus: The Department will continue to rely on subsidy-free service with small aircraft by other carriers.

Aircraft: Boeing 737 or larger.

Rate per Departure/Arrival to/from

Juneau and Anchorage

Weekly Compensation Ceiling<sup>1</sup>

Gustavus,	\$214.64 <sup>2</sup>	\$3,004.96 <sup>3</sup>
Petersburg,	\$214.64 <sup>2</sup>	\$6,009.92 <sup>4</sup>
Wrangell,	\$214.64 <sup>2</sup>	\$6,009.92 <sup>4</sup>

Note: the carrier has been placed on notice that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of this order, including the service plan outlined above and any other significant elements of the required service, without prior approval. In addition, if for a significant period of time the carrier either does not schedule or operate its flights in full conformance with this order, the carrier may jeopardize its entire subsidy claim for the period in question. If any such changes are contemplated during the applicable period of this rate, the carrier must first notify the Office of Aviation Analysis in writing and receive approval from the Department of Transportation to be assured of full compensation. Carriers must complete all flights that can be safely operated. An aircraft taking-off and landing at its scheduled destination constitutes a completed flight. Only completed flights are considered eligible for subsidy absent an explanation for not completing the flight (such as certain weather cancellations). Flights which overfly subsidized points for lack of traffic will not be compensated.

<sup>1</sup> See footnote (1) on the preceding page.

<sup>2</sup> See footnote (2) on the preceding page.

<sup>3</sup> 14 departures/arrivals per week between Gustavus and Juneau x \$214.64.

<sup>4</sup> 28 departures/arrivals per week between each point and Juneau/Anchorage x \$214.64.